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AUTHOR	Kalata, Erica D.; Satterfield, Mary Ellen; Klees, Phyllis
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ABSTRACT

This innovative session provides a vehicle for facilitating dialogue and practical application of effective tools for linking human resource development (HRD) strategies with business/organizational strategies. The primary goal is to provide an increased understanding of and skill using practical, research-based approaches and techniques to build organizationally aligned training and HRD strategies resulting in increased return on investment (ROI). The paper is structured to first provide a theoretical framework. The session is designed in these six parts: introduction; strategy and culture development; competency development; selection, training, and communications; evaluation for ROI; and project management and knowledge transfer. The objectives and design of each section follows. It concludes with sections on the outputs of the session and contributions to HRD. (Contains 8 references.) (YLB)

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2002 AHRD Conference

Innovative Session 1

Honolulu, Hawaii

February 27 - March 3, 2002

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CE 084 643

Mastering the HRD Matrix: Generating ROI by Linking to Business Strategy

Erica D. Kalata
Mary Ellen Satterfield
Phyllis Klees
Deloitte & Touche, LLP

This innovative session will provide a vehicle for facilitating dialogue and practical application of effective tools for linking HR Strategies with Business/Organizational Strategies. The primary goal is to provide an increased understanding of and skill using practical, researched-based approaches and techniques to build organizationally aligned training and HR Strategies resulting in increased return on investment.

Keywords: Strategy, Return-on-Investment, Human Capital Theory

This paper is structured to provide a theoretical framework, followed by objectives for the session, and a session structure. The paper concludes with sections on the outputs of the session and contributions to HRD.

> ***"As a primary means of sustaining an organization's competitive advantage, HRD serves a strategic role by assuring the competence of employees to meet the organization's present performance demands" (Torraco and Swanson, 1997, p. 11).***

Theoretical Framework

This session has a foundational base in micro-economic theory, specifically human capital theory. Human capital theory suggests that people possess the knowledge, skills, and abilities that provide economic value to firms (Weinberger, 1998; Youndt, Snell, Dean, and Lepak, 1996). An investment in human capital is a source of sustainable competitive advantage for firms (Thurow, 1997), particularly if that investment ensures that the pool of human capital is a resource, both difficult to replicate and difficult to substitute (Huselid, Jackson, & Schuler).

Deloitte & Touche made a significant investment in the development of their Technology and Communications (Tech.Comm) human capital to ensure that these resources have the unique knowledge and skills to support strategic initiatives and increase overall economic value. Because of this investment and the process used to develop these resources, the organization has seen many returns such as:

- increased revenue
- decreased turnover
- increased employee networking and morale
- increased recognition in the marketplace
- increased employee commitment in an arena (the Technology and Communications business sector) where this commitment is not the norm

Increased revenue growth is a strategic initiative for the firm and participants that responded to the ROI evaluation reported approximately $8.5 million in increased revenue that they felt could be directly linked to the Tech.Comm training event. Participant respondents also reported a $1.7 million increase in revenue from cross-functional services sold, which is one of the top strategic priorities of the organization. In the present economy, talent retention, employee commitment, and employee development are of utmost importance to organizations, and the Tech.Comm training and related cultural events resulted in comments such as:

- "Overall the course was demanding, BUT well worth it. One of the best conferences I have attended - the theme was excellent."
- "Outstanding! The best course I have attended from the firm in my 25 years with D&T."
- "Nothing less than brilliant; shows how all the pieces in the puzzle fit together."
- "Great conference. Congratulations! Finally a training conference that is extremely relevant to providing great client service!"

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Purpose

It is evident from the literature that few organizations have successfully learned how to effectively link their training and HR Strategies to organizational strategy in a way that produces measurable increases in human capital and return on investment. In the war for talent, CEOs and top leadership's primary concerns are not in the traditional administrative areas related to personnel. They want to know how to attract, retain, and most importantly develop human capital that will provide high gain at the individual, team, and organizational level. The onus is upon us, HRD researchers and practitioners, to begin building effective approaches to increase human capital that supports organizational strategy. HRD must understand several implications in this area:

- HRD researchers should increase their understanding of human capital theory and strategic HR contingency theory and begin performing more focused and effective research directly in the area of HR development practices across industry, size, and strategy type. They need to communicate their research findings in multiple forms and through multiple mediums for practical application.
- HRD practitioners need to provide critical input and feedback to researchers on best practices and constraints in the field. Practitioners must take the time to interact with researchers, such as in this innovative session, to uncover the realities of putting research into practice and work together to create innovative solutions for the future.
- HRD researchers and practitioners alike must partner with and learn from other disciplines such as socioeconomics, organizational behavior, and industrial psychology to gain insight and integrate knowledge.
- HRD researchers and practitioners must continue to find betters ways to partner around knowledge sharing and visioning for the future of HRD. Together, we must continue to develop sound methodologies and techniques that increase human potential and organizational effectiveness.

Objectives for *Generating ROI by Linking HR Strategies to Business Strategy* Innovation Session

This innovative session is designed with the overarching objective of:

- Facilitating a dialogue between HRD researchers and practitioners on innovative methods to effectively link HR strategies to business strategy for measurable results.
- Providing hands-on practice with several tools proven effective from defining organizational strategy and cultural attributes, to defining competencies necessary to support that strategy and culture, to building employee selection tools, lesson plans, and evaluation tools to measure return on investment.

Within those overarching objectives, the session will provide a forum where participants:

- Identify the visioned strategy and culture of their own organization.
- Determine a sampling of the needed competencies to support that visioned strategy and culture.
- Work in teams to identify appropriate behavioral-based questions to use in selecting for these competencies.
- Utilize tools for needs analysis and training development linked to the competencies.
- Explore strategic communication messages and media aligned with organization and training objectives.
- Outline effective production and performance support options.
- Develop an evaluation plan to measure the return on investment.
- Discuss effective project management and knowledge transfer approaches and tools.

Session Organizers and Facilitators

The session will be led by a team of Deloitte & Touche Human Capital Advisory Services practitioners who will compile the necessary material for the session and serve as facilitators. These facilitators have worked closely together to implement a variety of projects aimed at the alignment of HR strategies with organizational strategy for increased return on investment.

Session Content and Structure

The session is designed in six parts:

(A) Introduction
(B) Strategy and Culture Development
(C) Competency Development
(D) Selection, Training, and Communications
(E) Evaluation for ROI
(F) Project Management & Knowledge Transfer

The objectives and design of each of these sections follows:

Part A: Introduction

Facilitators: Erica Kalata, Mary Ellen Satterfield, Phyllis Klees
Objectives:

- To welcome the participants with elements of the theme (e.g. outfits, online invitation, beginning video, music, etc.) which was critical to the success of the culture transformation and training
- To provide an overview of the session, and to introduce the facilitators
- To describe the theoretical framework
- To illustrate the importance of strategic alignment research, practice, and education
- To identify teams of similar sectors (e.g., academia, private, public, consulting, etc.) for increased knowledge sharing and transfer; assign team names from the characters in the Matrix movie (e.g., Trinity, Switch, Cypher, Tank, Neo, Morpheus, etc.) to demonstrate interactivity early in the session

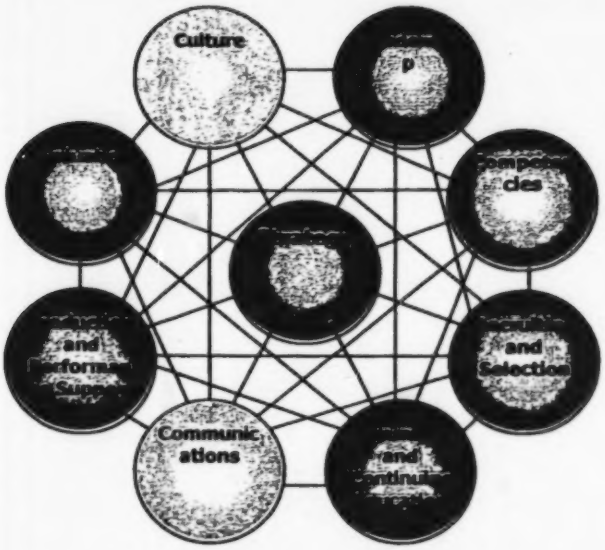
Length: 10 minutes.
Mechanism: Presentation and demonstration.

Part B: Strategy and Culture Development

Facilitators: Erica Kalata, Mary Ellen Satterfield, Phyllis Klees
Objectives:

- To discuss one model used to link training, along with other HR strategies, with business strategy to produce high ROI
- To have participants utilize a research-based tool (i.e., Lominger Cultributes™) to identify the desired culture for their own organization
- To conduct an exercise to help participants identify an important training need in their organization that would have strategic impact
- To lead participants in completing templates to creatively address the training need they have identified in a way that will link to business strategy and increase their chances for high ROI
- To discuss methods used in other organizations

Length: 30 minutes.
Mechanism: Large group hands-on practice.



Part C: Competency Development

Facilitators: Erica Kalata, Mary Ellen Satterfield, Phyllis Klees

Objectives:

- To demonstrate the importance of early competency identification and development that is aligned with business strategy
- To demonstrate a method for translating cultural attributes into needed competencies
- To lead participants in an activity using a research-based tool (i.e., Lominger Career Architect™) designed to help them prioritize the competencies
- To discuss various applications of this method in others in organizations and discuss research focused on strategic competency development

Length: 15 minutes.

Mechanism: Large group hands-on practice and discussion.

Part D: Selection, Training, and Communications

Facilitators: Erica Kalata, Mary Ellen Satterfield, Phyllis Klees

Objectives:

- To demonstrate the method used for Tech.Comm to create behavioral-based selection tools, training, and communications linked to the business strategy and culture
- To illustrate the web-page used to support Tech.Comm
- To review selection, training, and communications templates for use in their own organizations
- To review effective production and performance support options
- To lead participants in the beginning identification of selection questions, training components, and communications that will support the development of competencies linked to strategy
- To elicit ideas for multi-disciplinary research in this area

Length: 15 minutes.

Mechanism: Small group hands-on practice; Large group discussion.

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Part E: Evaluation for ROI

Facilitators: Erica Kalata, Mary Ellen Satterfield, Phyllis Klees
Objectives:

- To review evaluation theory and the importance of moving beyond level 1, 2, and 3
- To illustrate the evaluation method and ROI results achieved from the Tech.Comm training
- To lead participants in an activity to help them design their own evaluation plan to measure ROI linked to their business strategy
- To discuss research-to-practice collaboration needs in training ROI and evaluation

Length: 10 minutes.
Mechanism: Small group hands-on practice; Large group discussion.

Part F: Project Management and Knowledge Transfer

Facilitators: Erica Kalata, Mary Ellen Satterfield, Phyllis Klees
Objectives:

- To present the project management approach used for the Tech.Comm training development
- To illustrate one effective "toolkit" designed for comprehensive knowledge transfer
- To emphasize the need for strong project management and the integration of multiple, disparate contributors
- To discuss the communication methods, timeline management, program management approach, and real ownership of component parts by individual team leads
- To summarize learning points gained throughout the innovative session

Length: 10 minutes.
Mechanism: Presentation and summaries of discussions by spokesperson of each small group.

Key Outputs

The planned outputs of this innovative session will be:

1. Understanding of the role that culture creation has in creating employee loyalty and overall learning linked to business strategy
2. Outline of positive outcomes, including ROI, that result from strategic alignment
3. Visioned strategy and culture for participants' own organization
4. Sampling of the needed competencies to support that visioned strategy and culture
5. Sampling of behavioral-based questions to use in selecting for these competencies
6. Familiarity with tools for needs analysis and training development linked to the competencies
7. Template to use for strategic communication messages and media aligned with organization and training objectives
8. Outline of effective production and performance support options
9. Draft evaluation plan to measure the return on investment
10. Outline of effective project management and knowledge transfer approaches and tools
11. Practical ideas for future, innovative research to be summarized and communicated to the AHRD membership

Is this New and Innovative?

This session is innovative in several ways. It focuses on starting from the business imperative to determine training needs. It shows how tools can be used to determine what knowledge is required to make human capital a competitive advantage. It also promotes the concept that a cultural event contributes to learning and internalization of knowledge, and it shows how a concerted plan can be put into place to measure ROI. Most importantly, it brings academics and practitioners together in one place for scholarly dialogue on not only practical methods, but also critical research needs as HRD is increasingly expected to demonstrate their strategic value in organizations.

Contribution to HRD Knowledge

Empirical research has shown some support for a contingency perspective of strategic HR practices suggesting that the linear implications of a universal, or "best practices," perspective are too simplistic (Kalata and Wentling, 1999). Research indicates that effective HR practices are actually contingent upon the business strategy of the firm rather than common to all. However, the research offers little insight on methods of *how to* effectively link HRD and business strategy for increased return on investment. This session will help practitioners and researchers understand an approach to tap into leadership, link training and business strategy, and transfer the knowledge to their own organizations for increased return on investment. It will also help uncover important research needs critical to advancing the HRD profession as a strategic partner in organizations.

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College of Technology
Bowling Green State University
Bowling Green, OH 43403-0301

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